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**BUDGET PROCESS AND PROCEDURE IN PARLIAMENT**  
**SOME REFORM PERSPECTIVES**

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**ABSTRACT:** The author starts by raising some problems concerning the budget process and the lack of a market test for most of the public sector output. He raises some questions and describes proposals for budget reform, considering the experience in Portugal and other EU Member States. He also refers to recent decisions towards higher budget coordination at EU level. Then he gives an outline of the rules on discussion and voting of the budget in Portugal and he describes the Budget and Finance Committee and the Technical Budget Support Unit of the Portuguese Parliament.

**SUMMARY:**

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**1. THE BUDGET PROCESS – SOME PROBLEMS, OBJECTIVES AND PRINCIPLES**

The budget process includes a set of rules and procedures, formal or informal that govern the preparation, approval and implementation of the State budget and accounts.

By their size, number of actors involved, the complexity and nature of their incentives, the budget process poses significant challenges of coordination and accountability of different actors. The capture and use of public resources are associated with externalities and asymmetric information problems that do not correspond to productive activity in the private sector, whose

effects may, on the other hand, be countered by one budgetary framework. In the private sector, a company obtains funds from its shareholders and transforms them into the products and services that it makes available to the market. If the product is attractive to consumers, the company can sell it for a margin of profit that appropriately compensates the factors used in producing. Otherwise, the company cannot pay the factors allocated to production, which implies that it either closes or changes the market and competition sets so a natural benchmark, and the shareholders, managers and employees of a company can measure itself against its competitors, directly feeling the benefits or harm of a good or bad performance in relative terms .

In the case of the public sector, this benchmark does not exist naturally to the extent that there is no market, or that the good provided is necessarily consumed irrespective of demand associated with it (e.g. in the case of public safety). These features make it difficult to measure levels of production of goods provided by the public sector, or assess their impact on the welfare of consumers.

This absence of "market test", and therefore a metric that allows comparing production costs with the value of needs met, often associated with difficulty of measuring the actual production of goods and services, mean that traditionally the budget process focuses on the measurement of resources available to the Public Administration and its manner of use, rather than the analysis of the output – the production and the results in terms of welfare for society.

The absence of "market test" also raises complex issues of incentives. With goods and services deprives whose allocation is done through the market, there is normally a coincidence between those who support the cost and benefit of consuming a particular good – ie, it applies to each agent individually the principle that "there is no free lunch."

With goods and services provided by the public services in general it is also true that "there is no free lunch". However, there may be special interest groups that get a "free lunch", since the benefits of a particular project may be concentrated in a group of agents, but the costs are shared throughout society. This creates an incentive for a group that stands to gain with a given project in mobilizing towards its realization, facing opposition from those who have to bear the costs of this project. These being distributed over a very large number of agents in society, the costs of mobilization against will be higher than the costs to be supported by each individual agent. This creates a bias in favor of increased expense.

Additionally, in democracies, electoral concerns lead to situations of fiscal shortsightedness. This situation arises when the electoral campaigns lead to disregard at the moment of decision making the impacts that these decisions have in the long-term

It is now widely recognized that the characteristics of the budgetary procedures can counteract or

mitigate the effects of "market failures" that characterize the activity of the public sector. In recent decades, an increasing number of countries have amended their budget systems, the emphasis on looking for additional resources with a focus on production and the impacts of this on society. This new paradigm also incorporates for an increasing emphasis on accountability of managers for their achievements, accompanied by a strengthening of management autonomy. In fact, managers of public bodies can only be held accountable when they engage in an effective control over the instruments that allow them to achieve the goals.

The budgetary process should seek to answer two fundamental objectives, which are mutually reinforcing:

a. At the macro level, it should promote sustainability in public finances, by pursuing policies consistent with a reasonable degree of predictability of the future levels of taxation;

b. The micro level is important to promote effectiveness and efficiency of public spending ("value-for-money" in Anglo-Saxon terminology);

A budget process designed to meet both these objectives contributes significantly to macroeconomic stability and growth in productivity across the economy.

The literature on public finance and international experience identifies a set of principles that are invariably present in the budgetary process of countries that are more successful in disciplining public accounts and efficiency and effectiveness of public spending. These principles highlight the transparency, accountability and long-term budgets.

Transparency in the budget implies that complete information is available, reliable, understandable and easily accessible on all other past, present and future public sector. This shall include the provision of information on structure and functions of government, administration and public enterprises, the budget process, the intentions of fiscal policy, macroeconomic and fiscal projections and public sector accounts. The existence of this information will help improve the quality of policy decisions, provides governments with better access to international financial markets and allows citizens to evaluate policy-makers.

The multiyear budget introduces an important element of discipline in preparing the annual budget, to take into account the future effects of present policies and the financial impact of new policies. Multiannual financial framework allows you to print the conduct of fiscal policy a medium-term, which contradicts the bias for excessive growth in expenditure arising from the aforementioned "market failures" that characterize the activity of the public sector.

The existence of a multi-annual framework also allows public managers to know with a reasonable degree of certainty with which resources they may count in a number of years, thus contributing to significantly improve the planning capacity and hence the allocation of resources.

Accountability means that policy-makers and managers of public bodies are accountable for the use made of resources that were available to them in the pursuit of the targets and objectives previously established. Accountability implies the existence of an institutional framework for the assessment of the ministries and governmental bodies and the existence of a systematic culture of evaluation of impacts of public policies and reforms implemented by governments.

## **2. REFORM PERSPECTIVES OF THE BUDGET PROCESS**

To change the situation above described requires a change in the budgetary process at various levels. However, the analysis made here is intended mainly to reduce the effects of fragmentation in the preparation and implementation of the budget held, improve governance and transparency of the process, particularly through the implementation of a top-down budgetary process.

The Portuguese Government has set up a Working Group which in an intermediate report proposed measures to:

- a. Introduce stronger fiscal rules on spending and the budget balance;
- b. Create an independent Fiscal Policy Council;
- c. Establish a top-down budgeting process;
- d. Match the universes of institutions within the public administration in the national accounts and the universe of the General Government in public accounting;
- e. Compel the expenditure of the ministries to be included in budget programs;
- f. Present the results of programs;

We will next briefly refer to some of these proposals.

The introduction of fiscal rules can correct, at least in part, the bias in favor of spending growth, the deficit and the accumulation of debt. The introduction of fiscal rules has been widely recommended as a mechanism to promote fiscal discipline, and constitutes the first element of top-down process now proposed.

There are various types of fiscal rules and the most usual ones focus on control of expenditure or the expected value of the deficit of overall public debt.

It seems to me advisable to introduce rules on spending, as suggested by the OECD and the Committee for Program Budgeting<sup>1</sup>. However, it is clear that even following the rules on spending does not guarantee the sustainability of public finances. It is advisable that fiscal rules on spending are complemented with general rule(s) on the overall deficit and/or debt.

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<sup>1</sup> The Minister of Finance and Public Administration established the Committee for Program Budgeting (Comissão para a Orçamentação por Programas) to make recommendations on the implementation of program budgeting, but there is no Government bill (proposal) yet.

There is today a movement for the introduction of regulations on the budget balance in several member States of the EU, in constitutional law or laws of other statutes. For instance, there are countries that establish an overall constitutional debt limit, with consequences for the following years budgets, if surpassed.

Portugal being a small country, not having a tradition of fiscal balance, it should in my view establish a standard in this area that is easily understood and monitored by the international markets. Thus, the adoption of a rule of the type that is being adopted by other member states of the European Union, presents advantages.

It is true the introduction of fiscal rules also creates some tensions that must be taken into account. Leaving other issues aside, the rules may introduce a pro-cyclical fiscal policy, especially in situations of economic slowdown or recession. Additionally, the rules may also encourage creative accounting, reducing the transparency of the budgetary process, or to find mechanisms to postpone the budgetary impact of these decisions.

The ability to judge and independently apply technical and professional criteria based on the economic and budgetary situation and on the evaluation of public policies then becomes crucial. For instance, the evaluation of the output gap in the economy and the consequences thereof for compliance with the rule on the government budget and expenditure must be delivered independently of the political game and acknowledged expertise.

An independent Council of Fiscal Policy could assess compliance with the budgetary rules and assess the financial impacts of medium and long term commitments and decisions of public policy. It would increase the transparency and quality of discussion on public finances;

This kind of independent institution exists in several OECD countries, with diverse structures. As an example, one can mention the cases of CPB in the Netherlands, the HCF of Belgium, Austria WIFO, Fiscal Policy Council of Sweden<sup>2</sup>, the CBO or the United States.

Another suggestion concerns integrating top-down the stability program, economic plans and the Budget. The budget process should have a top-down structure. The Stability and Growth Program (SGP) establishes the macro-objectives of fiscal policy within the limits imposed by the enforcement of fiscal rules on spending and on the stock. The stability program should also specify adequately financial impacts, and set a timetable for implementing the measures proposed to achieve these objectives.

There is, however, a gap between the SGP targets and annual budgets. This gap must be bridged with the presentation in the spring of a bill setting limits to budgetary expenditure in a multiannual

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<sup>2</sup> A description of the Fiscal Policy Council is available at [www.finanspolitiskaradet.se](http://www.finanspolitiskaradet.se) . It should be noted that the Swedish Fiscal Policy Council includes two foreigners.

framework consistent with the macro-fiscal policy objectives defined in the SGP and the main objectives of budgetary programs.

The multiannual framework constitutes the budget constraint for the activities of central government, implying that all laws of programming with financial impacts are subject to the multiannual framework. Also noteworthy is that the adoption of the budget in the spring, would allow the early delivery of the State Budget for the year  $t + 1$ . It should also be mentioned that, if the Parliament approves the appropriation of budgetary programs in spring, the discussion of state budget must focus on measures and objectives that the Government intends to achieve.

The presentation of the State Budget, its execution and presentation of accounts is performed in accordance with the principles of public (revenue and expenditure) accounting, while the presentation the stability program follows the methodology of national (accrual) accounts. Moreover, during the discussion of the state budget it is common to make references to the two methodologies, introducing confusion into the discussion held / often making the discussion a confusing one. There should be a move toward a greater coincidence between the institutions belonging to the General Government in public accounting and the General Government sector in national accounts.

It seems advisable that all programs provided for in the state budget are restricted to vertical programs. This structure, easier to implement, and with more assurance of an alignment of incentives of performers with program managers, would also have a better presentation of results, since this can be done at the Ministry and independently of remaining.

Another relevant aspect is the number of budget programs. It seems advisable to maintain a reduced number of budget programs, because the activity concentration of a Ministry in a single program provides benefits in terms of budgetary flexibility.

A key point in improving transparency in budgetary matters is to realize where the resources were used and with what results. A suggestion is to create an obligation to submit a report on implementation of each program to be presented to the Parliament by the corresponding Minister. The report, hopefully a concise one, should focus on achievements in terms of output and results, but also refer to the resources used and their provenance. The report should focus on the development of a limited set of indicators and production of results that can be verifiable and preferably comparable to similar indicators of other EU governments and the resources used to achieve these results.

The presentation of the results of activity of the Government is not a simple issue and requires building capacity for measuring and reporting, but also the interpretation of results. Capacity building at the level of ministries is not easy and the international examples show that this is an area

with advances and setbacks, so that some flexibility must be maintained throughout the process, maintaining an attitude of constant vigilance and dissemination of good practices.

International experience shows that a profound change in the fiscal framework is a lengthy process, often with setbacks, which requires the development of strategic capability and financial monitoring in different ministries. The success of the reform of the budgetary process is critically dependent upon a clear definition of priorities, the establishment of a realistic timetable for the introduction of reforms and strong leadership and commitment to reform by political agents and senior staff of the Administration.

The essential process of building capacity must begin with the establishment of a multiannual expenditure, collection of management indicators and improving the process of accountability.

In order to empower decision makers and strengthen budgetary discipline, the OECD recommends that each Minister is constituted as "his own Finance Minister," giving greater autonomy and responsibility of each minister for the financial management of his Ministry. The decisions of the competent ministries to commit public resources have to be sustained by a multi-annual framework. The framework should be developed under the leadership of the Finance Ministry and reflect the achievement level of the several competent ministries. This framework will allow the ministries to do the programming of their activities based on resources that they will have in the following years in order to adapt its policy priorities to the budgetary resources available.

The Framework can be coupled with an expenditure rule. The expenditure rule can help to promote fiscal consolidation.

Consideration should be given to flexibility in the presentation and choice of indicators selected by each line ministry. However, there are some general requirements. The reports should be contained in dimension, sticking to the essential, the number of indicators should be small. These should comply with

- a. Simplicity - the indicators should be simple to understand;
- b. Measurability - indicators should be measured;
- c. Adequacy - The indicators must be suitable for to be measured;
- d. Availability - The indicators must be available in time;

It is advisable that ministries begin with gathering information about the starting point of targets that are very specific. Moreover, since the indicators are one-dimensional and the reality is multidimensional, the indicators need to be interpreted and evaluated also from the qualitative point of view. An excessive focus on numerical criteria can harm the target.

The arrangement of the budget expenditure and activity of the Ministries Programs, measures, activities or projects, should allows to respond to a range of issues such as:

- a. What is the problem that generated the need for this Program / Measure / activity or project?
- b. What is the cause of the problem?
- c. What is the responsibility of the public sector in addressing the problem?
- d. How can the objective be formulated?
- e. What tools can be used?
- f. What are the costs? Are the results worth the costs?

The formulation of these questions gives a basis to establish a regular review of programs and measures implemented by the central administration.

The proposed budget structure forces every minister to take responsibility for defining strategic management of its budget and the presentation of results. This means that each minister will need a body to assist him or her in the strategic definition of his ministry and the management of its budget.

### **3. BUDGET COORDINATION AT EU LEVEL**

Recently, the efforts of EU level budget coordination have increased. It is a sensitive political issue which has known recent developments, in the wake of the international economic crises and of the debt problems in some peripheral EU countries (mainly Greece, but also including Portugal, Ireland and Spain).

Currently, EU member states already submit multi-annual budgetary plans to the EU, known as the Stability and Convergence and National Reform Programs, which detail the broad budgetary intentions of every member state for the following two years. Every year the Commission issues recommendations on which areas member states should focus on. The member states also send to the EU each year a Report on Budget Policy Orientation.

The need for more coordination led to the decision that member states shall start to give Brussels (EU institutions) details of preparations of its annual Budget months before it is actually tabled in Parliament, according to an agreement reached by EU finance ministers this week.

The new Budget review system, to be known as the “European semester” is a cycle of economic policy coordination: It is intended to introduce more control by the Commission over the fiscal and monetary policies adopted by EU member states (in order to avoid another Greece-style problem).

This process should contribute to improvements in the quality and effectiveness of national economic and fiscal policy-making in the EU.

The semester will be a six-month period every year during which the member states’ budgetary and structural policies will be reviewed to detect any inconsistencies and emerging imbalances. The



aim is to reinforce coordination while major budgetary decisions are still under preparation.

In a new monitoring cycle, the European Council will each March identify the main economic challenges facing the EU and give strategic advice on policies. Taking this guidance into account, the member states will present their medium-term budgetary strategies in their stability and convergence programs.

At the same time, the member states will also draw up national reform programs setting out actions to be undertaken to strengthen their policies. All these programs will be issued simultaneously in April.

Each July, on the basis of the programs submitted in April by member states, the European Council and the Commission will provide policy advice before member states finalize their Budgets for the following year.

The European semester is one of the first initiatives to emerge from a task force chaired by the President of the European Council, Herman Van Rompuy, with a view to strengthening European provisions on economic governance. However, more initiatives are currently under discussion.

Proposals have also been made of stricter penalties for those countries which, despite the recommendations by the Council and the Commission, still have not taken the necessary action to bring down their structural deficits and level of public debt.

#### **4. OUTLINE OF THE RULES REGARDING THE DISCUSSION AND VOTING OF THE STATE BUDGET IN PORTUGAL**

The procedures relating to the discussion and the voting of the state budget take place in Portugal in the Assembleia da República (Portuguese Parliament<sup>3</sup>). The procedures take place in the plenary of the Parliament (initial discussion and vote and final voting, as well as some intermediate votes) and before the Committee on Budget and Finance (hearings and all other debates and votes).

The legal framework for the procedures is contained in the Constitution of the Portuguese Republic and in the so-called Budget Framework Law and in the Rules of Procedure of the Assembly of the Republic.

According to the Constitution of the Portuguese Republic<sup>4</sup>, the Parliament (Assembly of the Republic) “shall be responsible for: (...) g) Upon proposals from the Government, passing the laws on the Major Options of the National Plans and the State Budget” (Article 161 - Political and legislative responsibilities). There are some constitutional rules on state budgeting and accounts: Article 105 of the Constitution of the Portuguese Republic specifies the contents of the Budget;

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<sup>3</sup> See <http://www.en.parlamento.pt/Legislation/index.html>

<sup>4</sup> See <http://www.en.parlamento.pt/Legislation/index.html>

article 106 specifies the drawing up of the Budget, in accordance with the Budget Framework Law and the elements that shall accompany the annual Budget Bill; article 107 has rules on the scrutiny of the Budget's execution by the Audit Court and the Assembly of the Republic (mainly through the Committee on Budget and Finance).

The Budget Framework Law<sup>5</sup> is a statute containing most of the rules that govern the budget and budget procedures. It deals with:

- budget principles and rules;
- the formal content and structure of the Budget Bill;
- rules and timeframes for the elaboration, discussion, voting and publication of the Budget Bill;
- rules of parliamentary scrutiny of public accounts;
- rules on duties of information of the Government towards the Parliament, including *inter alia* the so-called Spring Debate regarding the Budget Policy Orientation (debate based on a Report on the Budget Policy Orientation, that is presented to the European Commission) and the annual review of the national Stability and Growth Program, before its presentation at a European level.

The parliamentary Budget Procedure (the procedure for the discussion and voting of the budget) is a special legislative procedure, as it deals with the most relevant legislation that is every discussed and voted by Parliament – each year's Budget Bill. It is foreseen in the Budget Framework Law and the Rules of Procedure of the Assembly of the Republic, Chapter IV (Procedures concerning public finances - Articles 205 - 213)

The Government has exclusive competence for presenting the proposal for the Budget Bill, which it has to do each year until October 15<sup>th</sup> at the latest.

The timeframes for discussion and voting in Parliament are legally defined: the Budget Bill must be discussed and voted 45 days after its admission.

The presence of the Government members is mandatory during discussion. Normally the Finance Minister presents the proposal before the Committee on Budget and Finance and the whole government is present in the first plenary debate and vote.

The transparency rules are the same as for all the plenary sittings, even during the discussion within the Committee: free public access, the whole debate is transcribed in the Journal of the Parliament and broadcasted by the Parliament Channel;

After the Government sends the Budget Bill proposal to the Parliament, until October 15<sup>th</sup>, the

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<sup>5</sup> Law no. 91/2001, of the 20th August 2001, amended by Law no. 48/2004, of the 24th August 2004.

proposal is admitted and referred to the Budget and Finance Committee. Other parliamentary Committees issue Formal Opinions, which has to be done within 15 days. The Regional Parliaments and the Associations of Municipal Authorities and Parishes are also asked for their opinion. The Ministers of Finance and Social Security meet with the Budget and Finance Committee during this phase, for a first presentation and discussion. All the MP can participate.

The Budget and Finance Committee issues a Report within 20 days that includes the opinions of other Committees. Thereafter a first discussion and vote of the proposal in general takes place in a plenary session of the Parliament.

The proposal then returns to the Budget and Finance Committee for a discussion and vote on the details. All Ministers are subject to hearings about their Ministries' Budgets

Finally, the proposal goes back to Plenary, for the remaining discussion and (partial) vote on the details and a final overall vote.

As happens with all the Parliament's Bills, the Budget Bill is also voted three times in the Portuguese Parliament: the first is a global vote in general, on the whole Bill (before the plenary of the Parliament); then there is a specific discussion and vote on each provision and annex map of the Budget Bill, before the Committee on Budget and Finance; a final and overall vote takes thereafter place in plenary, for final approval of the Bill. Before the first and second votes there are hearings of the corresponding Government members, the Economic and Social Council and other entities, conducted by the Committee on Budget and Finance.

Since the Budget Procedure of 2006, the whole workflow of the Budget Process in Parliament is run by a computer application. All draft amendments proposals (over 1000 for the last Budget Bill) are sent to the system and the voting scripts and reports with the voting results are automatically generated, after a correct feeding of the data. All the information is available online, both on the intra- and the internet<sup>6</sup>.

It is also a common practice for the Government in Portugal to include in the Budget Bill every year rules that are not strictly budget rules, but relate in some way to the economic or social effects of government action. These so-called "Budget Jockeys" or "Budget Parasites" – ie non-budgetary norms in the Budget Bill – have raised some constitutional doubts. However, they are normally not struck down by the Constitutional Court.

After it is passed the Budget Bill is sent to the President of the Republic so that it can approve it and order its publication. The Budget Bill only enters into force after its publication.

## **5. THE BUDGET AND FINANCE COMMITTEE (THE 5TH COMMITTEE) OF THE**

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<sup>6</sup> <http://www.en.parlamento.pt/StateBudgetPublicAccounts/index.html>

## **PORTUGUESE PARLIAMENT**

The Budget and Finance Committee (the 5th committee) is one of the 13 standing committees of the Portuguese Parliament. It is composed by 21 members in full exercise representing 5 of the 6 political forces present at the parliament. The committee composition is proportional to the size of parliamentary groups. The Committee is coordinated by a bureau which includes the chairman and two vice-chairmen.

The committee approves its own activity program for each legislative session. It meets in plenary session and may function when more than half the committee members in full exercise are present.

The Committee discusses and votes the State Budget every year, but it also has competence in relation to both legislation and activity of the government and public administration which involves areas under the oversight of the Ministry of Finance. It seeks to contribute to an effective political supervision and control of the budget and public finances.

Within its competence, the Committee on Budget and Finance shall analyze both the general principles and details of the government bills on the major planning options, on state budget and budget amendments. It monitors and controls the execution of the state budget, and ensures that the government complies with the applicable requirement to provide information. The Committee also assesses the system and procedures for internal control over budget execution operations, and asks for audits of external entities or the audit court, as determined on budget framework law.

The Budget and Finance Committee also prepares and holds the debate on the Budget Policy Orientation set out in the Budget Framework Law (before another debate in plenary session), and it takes yearly the general state accounts and the opinion issued by the State Audit court, on its reports on the yearly execution of the state budget. When necessary, the Committee can ask the president of the Audit court (which is in Portugal an independent body, not included in the Parliament) to attend committee sessions.

The Committee also participates in the general activity of European scrutiny held by the Portuguese Parliament. In particular, it is responsible for drawing a formal written opinion upon the European Court of Auditors' annual report, according to the Law of monitoring, assessment and pronouncement by the Assembly of the Republic within the scope of the process of constructing the European Union.<sup>7</sup>

The Committee has sessions every week, and almost every day during the Budget Procedure.

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<sup>7</sup> Number 8 of Article 7; Law no. 43/2006, dated 25 August 2006: <http://www.en.parlamento.pt/Legislation/index.html>

The chairman schedules the participation of members of the government in the Committee, with the consensus of parliamentary group.

The Budget and Finance Committee is permanently assisted by the Technical Budget Support Unit.

## **6. THE PARLIAMENTARY TECHNICAL BUDGET SUPPORT UNIT**

As resumed by OECD (2008)<sup>8</sup>, the Parliamentary Technical Budget Support Unit “is a nonpartisan unit composed of experts in economics and law. It supports parliamentary budget deliberation by providing the committee with quality analytical reports on the executive’s budget proposal.”

The Unit was created in 2006<sup>9</sup> with the purpose of providing technical support to the specialist committee with responsibility for budgetary and financial matters. It functions under the guidance of the Budget and Finance Committee but it is a purely technical unit, bound by the principles of independence, impartiality and objectivity (Article 8 of the Resolution that created the Budget Support Unit: “Documents and studies drawn up by the TBSU (in Portuguese: UTAO) specialists shall be exclusively of technical nature and present facts and situations in an objective manner, maintaining the highest professional, behavioral and integrity standards.”).

The Unit is responsible for drawing up studies and technical working documents on public budgetary and financial management, within the scope of mainly following matters:

- a) Technical analysis of government bills on the State Budget and amendments thereto;
- b) Technical assessment of the General State Accounts;
- c) Technical monitoring of budgetary execution;
- d) Technical analysis of revisions of the Stability and Growth Program;
- e) Such technical studies on the budgetary impact of legislative initiatives that are admitted, as the President of the Assembly of the Republic deems fit to submit to the specialist committee with responsibility for budgetary and financial matters;

The Budget Support Unit produces analytical reports (Technical Notes & Information Notes), with approx. 20 reports/year: 15 in 2007; 21 in 2008; 19 in 2009. After favorable decision from the Budget Committee, such documents are available (in Portuguese only) at the Budget Committee website<sup>10</sup>. The Unit does not produce background papers or research papers.

The Unit’s role in scrutinizing the effectiveness and efficiency of government programs has been

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<sup>8</sup> OECD, OECD Review of Budgeting in Portugal, December 2008.

<sup>9</sup> Portuguese Assembly of the Republic, Resolution no. 53/2006, of the 7th August..

<sup>10</sup> See <http://www.parlamento.pt/sites/COM/XILEG/5COF/Paginas/UTAO.aspx> and <http://www.parlamento.pt/sites/COM/XLEG/5COFposRAR/Paginas/UTAO.aspx>

limited. Portugal does not follow program budgeting. The Government announced such goal (initially for 2010), but it is still in study. If and/or when implemented, program budgeting will require further resources at Parliament to review the performance information provided by the government.

The Unit also has a role in reviewing the economic assumptions for the budget, fiscal risks and long-term fiscal sustainability. It makes a global (macro) analysis of the documents (comparing Government's forecasts with forecasts made by other national and international organizations – European Commission, IMF, OECD, Bank of Portugal). It focuses in bringing the attention of MPs to issues related to long-term sustainability, usually absent from the political debate. It has had some success in getting the attention to diminishing fiscal room for maneuver, structural (or underlying) deficits, the measurement of fiscal consolidation efforts, and the problems of long-term commitments undertaken by the Government through public-private partnerships (PPP).

The Technical Unit – and afterwards the MPs – has also in several years raised the attention to the problem of budget transparency, mainly regarding the quality (e.g. comparability) and quantity of information contained in the budget proposal. It has for instance drawn attention to the need to expressly identify any changes of criteria, to make all the information comparable. Other relevant issues identified were, for instance: absence of nominal GDP estimate (corrected in the 2009 budget proposal); absence of an independent panel's review of macroeconomic forecasts; lack of information regarding impact of the conversion of some hospitals into corporate public entities on the accounting of compensation of employees; information related with PPP commitments; insufficient information regarding the adjustment from cash basis accounting of the deficit (voted by Parliament) to accrual basis (scrutinized by Brussels and the focus of the political discussion).

The OECD conducted a review of the Budgeting Process in Portugal in 2008, and it made some recommendations concerning the Parliamentary Technical Budget Support Unit:

- increasing the number of staff in the technical support unit (UTAO) and
- increasing the duration of its mandate while ensuring the unit's independence.

Another limitation is that the Unit only has access to publicly available information or information sent to Parliament by the government. It cannot directly request any kind of information from the public administration or the government. All requests for information must be forwarded through the Budget Committee to the Minister of Parliamentary Affairs (if the Committee agrees) and from there to the relevant minister. This process is very time-consuming.

Recently (June 2010), the Portuguese Parliament approved legislation reinforcing the composition and the powers of this unit to obtain information from government.